

INVESTCORP BANK B.S.C.

SHAREHOLDERS' CIRCULAR

**FOR THE
EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
TO BE HELD
ON
FEBRUARY 12, 2019**

January 22, 2019

Dear Shareholders

The Extraordinary General Meeting of Shareholders of Investcorp Bank B.S.C. (the "Company") is scheduled to be held at 11:00 a.m. on Tuesday, February 12, 2019 at Investcorp House, Diplomatic Area, Manama, Kingdom of Bahrain to consider the matters listed on the Agenda attached as Annex A to this Shareholders' Circular.

The purpose of this Shareholders' Circular is to provide information to Shareholders regarding the matters listed on the Agenda.

By way of background, the Company is currently licensed by the Central Bank of Bahrain (the "CBB") as a conventional wholesale bank. Under its wholesale banking license, the Company undertakes regulated placement activities in the Gulf and provides MENA private equity management and advisory services. The Company also holds transitory call deposits from clients who receive distributions from their underlying investments managed by Investcorp, pending onward remittance or subscription to new investment offerings from the Company. In other words, the deposits held by the Company's clients with the Company are tied to their investment activities in the Company's product offerings.

Over the past several years, the CBB's regulatory framework for wholesale banks and investment firms has evolved and the Company's business model has continued to develop in line with these changing regulations. As a result, the Company has re-examined its operational structure and determined that it would be in the best interests of the Company, its shareholders, clients, and other stakeholders for the Company to undertake a re-alignment of its operational structure in Bahrain with the CBB's regulatory framework for investment firms. After discussions with the CBB, and upon further consideration of the various options, the Company determined that, if its client deposit-related activities are carried out by a third party, then a wholesale banking license is not required for the Company to undertake its Gulf placement activities and MENA private equity management and advisory services, and an investment firm license would instead be best suited for conducting its business.

Consequently, the Company sought the CBB's approval to incorporate a wholly-owned subsidiary in Bahrain, to be licensed by the CBB as a Category 1 investment firm. The CBB's approval was granted on December 18, 2018, and the Company incorporated Investcorp Financial Services B.S.C(c) ("IFS"), a CBB-licensed investment firm. It is intended that the Company will transition its regulated Gulf placement activities and MENA private equity management and advisory services to IFS and that clients that wish to transfer funds for subsequent investments into Investcorp products will transfer their subscription funds directly to a third party trust arrangement, substantially similar to a trust arrangement that already exists today.

Once the above transition of its regulated activities to IFS has been satisfactorily completed, the Company will no longer need to hold a CBB license and it will therefore seek to convert from a wholesale bank into a holding company. As a holding company, the Company's ordinary shares will continue to be listed on the Bahrain Bourse. There will be

no change in the ownership structure of the Company and existing shareholder ownership will not be diluted.

The Board of Directors of the Company has approved the proposed reorganization on January 20, 2019, on the basis of the rationale described above. The Company is now seeking Shareholder approval for (i) the transfer of its Gulf placement activities and MENA private equity management and advisory activities to IFS and (ii) de-licensing the Company as a wholesale bank and converting it into a holding company upon satisfactory completion of the transition. Assuming that the transition is completed in a timely manner, and that all relevant approvals are obtained, the Company intends to complete the transition to IFS and the delicensing by the end of June 2019, which also marks the end of its current fiscal year.

To facilitate the realignment, the Company will work with the CBB, its clients and all other stakeholders to ensure a smooth transition of the business to IFS, and the subsequent steps referred to above.

As part of the process to convert from a wholesale bank to a holding company, the Company is requesting the Shareholders to approve the form of its amended and restated memorandum and articles of association. A draft of this document, which follows a template used by other publicly listed holding companies, has been distributed to Shareholders. It is worth noting that, in accordance with the terms and conditions of the preference shares that are set out in the current memorandum and articles of association of the Company, a majority of the preference shares that were issued by the Company over time have been redeemed, and the only remaining preference shares that remain outstanding are 123,239 Series B Preference Shares. The amended and restated memorandum and articles of association of the Company that have been distributed to Shareholders reflect this current number of outstanding shares.

As is presently the case, other Investcorp group entities internationally and in the Gulf will continue to be subject to local regulatory oversight in all of the countries in which they conduct regulated activities.

The transition will allow the Company to establish an operational structure which is optimally efficient as well as appropriate for its range of activities across different jurisdictions. The Company believes that as a result of this contemplated transition it will be better placed to serve its clients as well as its broader stakeholder base, while exercising best-in-class corporate governance in a manner that is aligned with international practice and its peer group of global alternative asset managers.

With God's blessings,



Dr. Yousef Hamad Al-Ebraheem
Chairman of the Board of Directors